

*Village of Mattawan*  
*Van Buren County, Michigan*  
**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT**  
*Year ended June 30, 2008*

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## CONTENTS

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	<i>Page</i>
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	i - vii
<b>INDEPENDENT AUDITORS' REPORT</b>	3 - 4
<b>BASIC FINANCIAL STATEMENTS</b>	
Government-wide financial statements:	
Statement of net assets	5
Statement of activities	6
Fund financial statements:	
Balance sheet - governmental funds	7
Statement of revenues, expenditures, and changes in fund balances - governmental funds	8
Statement of net assets - proprietary funds	9
Statement of revenues, expenses, and changes in fund net assets - proprietary funds	10
Statement of cash flows - proprietary funds	11
Notes to financial statements	12 - 22
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Budgetary comparison schedule:	
General Fund	23 - 24
Major Street Fund	25
<b>SUPPLEMENTARY INFORMATION</b>	
Combining balance sheet - nonmajor governmental funds	26
Combining statement of revenues, expenditures, and changes in fund balances - nonmajor governmental funds	27
Combining statement of net assets - internal service funds	28
Combining statement of revenues, expenses, and changes in fund net assets - internal service funds	29
Combining statement of cash flows - internal service funds	30
<b>FEDERAL AWARDS</b>	
Schedule of expenditures of federal awards	31
Schedule of findings and questioned costs	32
<b>INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS</b>	33 - 34
<b>INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133</b>	35 - 36

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

## ***Village of Mattawan***

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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Our discussion and analysis of the Village of Mattawan's (the Village) financial performance provides a narrative overview of the Village's financial activities for the fiscal year ended June 30, 2008. Please read it in conjunction with the Village's financial statements.

#### **FINANCIAL HIGHLIGHTS**

- The Village's total net assets increased by \$1,044,173 (14 percent) as a result of this year's activities. Net assets of the governmental activities increased by \$128,818 and net assets of the business-type activities increased by \$915,355.
- Of the \$8,462,490 total net assets reported, \$2,308,649 (27 percent) is available to be used to meet the Village's ongoing obligations to its citizens and customers.
- The General Fund's unreserved fund balance at the end of the fiscal year was \$422,751, which represents 65 percent of the actual total General Fund expenditures for the current fiscal year.

#### **Overview of the financial statements**

The Village's annual financial report is comprised of four parts: management's discussion and analysis, the basic financial statements, required supplementary information, and an optional section that presents combining statements for nonmajor governmental funds and internal service funds. The basic financial statements include two kinds of statements that present different views of the Village:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Village's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Village, reporting the Village's operations in more detail than the government-wide financial statements.
  - Governmental fund statements tell how general government services, like public safety, were financed in the short-term, as well as what remains for future spending.
  - Proprietary fund statements offer short- and long-term financial information about the activities the government operates like a business, such as the sewer and water systems.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The financial statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

#### **Government-wide financial statements**

The government-wide financial statements report information about the Village as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the Village's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The two government-wide statements report the Village's net assets and how they have changed. Net assets (the difference between the Village's assets and liabilities) is one way to measure the Village's financial health, or position.

- Over time, increases or decreases in the Village's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Village, you need to consider additional nonfinancial factors, such as changes in the Village's property tax base and the condition of the Village's capital assets.

The government-wide financial statements are divided into three categories:

- *Governmental activities* - Most of the Village's basic services are included here, such as police protection and general government. Property taxes and state grants finance most of these activities.
- *Business-type activities* - The Village charges fees to customers to help it cover the costs of certain services it provides. The Village's sewer and water systems are reported here.
- *Component units* - The Village includes other entities in its report - the Mattawan Downtown Development Authority and the Mattawan Local Development Finance Authority. Although legally separate, these "component units" are important because the Village is financially accountable for them.

### **Fund financial statements**

The fund financial statements provide more detailed information about the Village's most significant funds - not the Village as a whole. Funds are accounting devices that the Village uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by state law and by bond agreements.
- The Village Council establishes other funds to control and manage money for particular purposes (like the Drug Forfeitures Fund) or to show that it is properly using certain taxes and other revenues (like motor fuel taxes collected for the street funds).

The Village has two kinds of funds:

1. *Governmental funds.* Most of the Village's basic services are included in governmental funds, which focus on (1) how cash, and other financial assets that can be readily converted to cash, flows in and out and, (2) the balances left at year end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Village's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statements that explain the relationship between them.
2. *Proprietary funds.* Services for which the Village charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information.
  - The Village's enterprise funds (one type of proprietary fund) are the same as its business-type activities but provide more detail and additional information, such as cash flows.
  - The Village uses internal service funds (the other type of proprietary fund) to report activities that provide services for the Village's other programs and activities. The Village's internal service funds are its DPW Building and Equipment Fund and Police Motor Pool Fund that manage the Village's fleet of vehicles and equipment.

**Village of Mattawan**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

**FINANCIAL ANALYSIS OF THE VILLAGE AS A WHOLE**

**Net assets.** Total net assets at the end of the fiscal year were \$8,462,490, an increase of 14 percent compared to the prior year. Of this total, \$2,973,052 is invested in capital assets and \$3,180,789 is restricted for various purposes. Consequently, unrestricted net assets were \$2,308,649, or 27 percent of the total.

**Condensed financial information**  
**Net Assets**

	<i>Governmental activities</i>		<i>Business-type activities</i>		<i>Totals</i>	
	<i>2008</i>	<i>2007</i>	<i>2008</i>	<i>2007</i>	<i>2008</i>	<i>2007</i>
Current and other assets	\$ 1,080,473	\$ 1,001,769	\$ 5,432,630	\$ 4,132,507	\$ 6,513,103	\$ 5,134,276
Capital assets	<u>1,163,024</u>	<u>1,113,856</u>	<u>10,727,028</u>	<u>9,253,951</u>	<u>11,890,052</u>	<u>10,367,807</u>
Total assets	<u>2,243,497</u>	<u>2,115,625</u>	<u>16,159,658</u>	<u>13,386,458</u>	<u>18,403,155</u>	<u>15,502,083</u>
Long-term debt outstanding	715,000	722,000	8,202,000	7,059,000	8,917,000	7,781,000
Other liabilities	<u>53,946</u>	<u>48,322</u>	<u>969,719</u>	<u>254,874</u>	<u>1,023,665</u>	<u>303,196</u>
Total liabilities	<u>768,946</u>	<u>770,322</u>	<u>9,171,719</u>	<u>7,313,874</u>	<u>9,940,665</u>	<u>8,084,196</u>
Net assets:						
Invested in capital assets, net of related debt	448,024	391,856	2,525,028	2,194,951	2,973,052	2,586,807
Restricted	614,863	539,181	2,565,926	2,615,339	3,180,789	3,154,520
Unrestricted	<u>411,664</u>	<u>414,696</u>	<u>1,896,985</u>	<u>1,262,294</u>	<u>2,308,649</u>	<u>1,676,990</u>
Total net assets	<u>\$ 1,474,551</u>	<u>\$ 1,345,733</u>	<u>\$ 6,987,939</u>	<u>\$ 6,072,584</u>	<u>\$ 8,462,490</u>	<u>\$ 7,418,317</u>

**Changes in net assets.** The Village's total revenues were \$3,175,395 in the current fiscal year. Approximately 52 percent of the Village's revenues come from utility charges while property taxes and state shared revenue account for a combined 19 percent of total revenues.

The total cost of all the Village's programs, covering a wide range of services, totaled \$2,131,222. Approximately 60 percent of the Village's costs relate to the provision of utility services. Public safety and public works costs account for 17 percent and 10 percent of the Village's total costs, respectively.

**Village of Mattawan**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

**FINANCIAL ANALYSIS OF THE VILLAGE AS A WHOLE (Continued)**

	Condensed financial information Changes in net assets					
	<i>Governmental activities</i>		<i>Business-type activities</i>		<i>Totals</i>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Program revenues:						
Charges for services	\$ 30,097	\$ 36,517	\$ 1,617,617	\$ 1,406,604	\$ 1,647,714	\$ 1,443,121
Operating grants and contributions	312,593	283,523	-	-	312,593	283,523
Capital grants and contributions	-	-	490,546	183,536	490,546	183,536
General revenues:						
Property taxes	398,708	359,267	-	-	398,708	359,267
State shared revenue	189,631	189,676	-	-	189,631	189,676
Unrestricted interest income	31,072	31,637	88,201	69,501	119,273	101,138
Miscellaneous	16,930	15,220	-	-	16,930	15,220
Total revenues	<u>979,031</u>	<u>915,840</u>	<u>2,196,364</u>	<u>1,659,641</u>	<u>3,175,395</u>	<u>2,575,481</u>
Expenses:						
Legislative	7,930	5,629	-	-	7,930	5,629
General government	132,242	145,454	-	-	132,242	145,454
Public safety	368,517	360,913	-	-	368,517	360,913
Public works	242,289	213,001	-	-	242,289	213,001
Recreation and culture	41,383	18,325	-	-	41,383	18,325
Community and economic development	23,723	22,004	-	-	23,723	22,004
Interest	34,129	34,061	-	-	34,129	34,061
Sewer	-	-	941,935	881,426	941,935	881,426
Water	-	-	339,074	439,196	339,074	439,196
Total expenses	<u>850,213</u>	<u>799,387</u>	<u>1,281,009</u>	<u>1,320,622</u>	<u>2,131,222</u>	<u>2,120,009</u>
Increase in net assets	<u>\$ 128,818</u>	<u>\$ 116,453</u>	<u>\$ 915,355</u>	<u>\$ 339,019</u>	<u>\$ 1,044,173</u>	<u>\$ 455,472</u>

**Governmental activities.** Governmental activities increased the Village's net assets by \$128,818 in the current fiscal year compared to an increase of \$116,453 in the prior year. Revenues increased by \$63,191 (7 percent) while total expenses increased by \$50,826 (6 percent). Additional revenues were generated through intergovernmental charges for police protection (\$43,837) and an increase in property tax revenue (\$39,441). Recreation and culture expenses increased significantly compared to the prior year due to a \$14,984 increase in park maintenance costs and public works costs increased nearly \$30,000 due to higher salt costs and a larger allocation of personnel costs.

The cost of all governmental activities this year was \$850,213. After subtracting the direct charges to those who directly benefited from the programs (\$30,097), and operating and capital grants and contributions (\$312,593), the "public benefit" portion covered by property taxes, state revenue sharing, and other general revenues was \$507,523.

**Business-type activities.** Business-type activities increased the Village's net assets by \$915,355 in the current year compared to a \$339,019 increase in the prior year. While expenses decreased by nearly \$12,000, charges for services increased by more than \$210,000. Capital grants and contributions increased by approximately \$307,000. This year's increase in net assets came as a result of an increase in utility rates and the receipt of a federal grant in 2008.

#### **FINANCIAL ANALYSIS OF THE VILLAGE'S FUNDS**

**Governmental funds.** As of the end of the current fiscal year, the Village's governmental funds reported combined ending fund balances of \$1,037,614, an increase of \$132,657 in comparison with the prior year.

The General Fund is the chief operating fund of the Village. At the end of the fiscal year, unreserved fund balance was \$422,751, which represents 65 percent of the total actual General Fund expenditures for the current fiscal year. The fund balance increased by \$56,975 during the fiscal year compared to an increase of \$27,254 in the prior year. Revenues increased by \$57,572 (9 percent) while total expenditures increased by \$27,851 (4 percent). The higher increase in fund balance in the current year is primarily related to additional revenue generated by intergovernmental charges for police protection (\$43,837) and an increase in property tax revenue (\$39,441). Expenditure increases included a \$14,178 increase in public safety costs that were a result of higher payroll for the police officers and a \$21,683 increase in recreation and culture expenditures that were associated with maintenance costs incurred at the park.

The Major Street Fund experienced an increase in fund balance of \$28,573 during the fiscal year because current year operating grants from the State exceeded the costs of maintaining the Village's major streets and no construction costs were incurred in the current year. The Major Street Fund has a fund balance of \$316,621 that is restricted for street preservation costs.

**Proprietary funds.** The Sewer Fund experienced an increase in net assets of \$15,710 as a result of an increase in utility rates implemented in July 2007. Total net assets are \$4,328,240 at year end of which \$1,057,222 is unrestricted.

The Water Fund experienced an increase in net assets of \$885,573 as a result of an increase in utility rates implemented in July 2007 and the receipt of capital contributions totaling \$431,016. Total net assets are \$2,601,074 at year end of which \$781,238 is unrestricted.

#### **General Fund budgetary highlights**

The Village did make any significant budget amendments during the year.

Revenues were \$18,908 less than anticipated primarily because property tax revenue was \$29,092 less than budgeted. Expenditures were \$65,940 less than the amounts appropriated primarily because police department expenditures were \$41,612 less than anticipated. These variances and a \$3,423 transfer that was not made resulted in a \$50,455 positive budget variance and a \$56,975 increase in fund balance compared to a budgeted increase of \$6,520.



**Capital assets and debt administration**

*Capital assets.*

The Village's investment in capital assets for its governmental and business-type activities as of June 30, 2008, amounts to \$11,890,052 (net of accumulated depreciation). This investment includes a broad range of assets, including land, buildings, police equipment, sewer and water facilities, and streets. The increase in the Village's net investment in capital assets for the current fiscal year was \$1,522,245. The net investment in capital assets was increased \$49,168 by governmental activities and increased \$1,473,077 by business-type activities.

	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Totals</u>
Land	\$ 28,000	\$ 34,749	\$ 62,749
Construction in process	-	1,674,969	1,674,969
Infrastructure	149,670	9,017,310	9,166,980
Buildings and improvements	743,112	-	743,112
Equipment and vehicles	<u>242,242</u>	<u>-</u>	<u>242,242</u>
Totals	<u>\$ 1,163,024</u>	<u>\$ 10,727,028</u>	<u>\$ 11,890,052</u>

The major capital asset events during the current fiscal year included the following:

- The Water Fund incurred costs of \$1,674,969 for the construction of an arsenic removal plant.
- The Water Fund also purchased meters for \$111,750.
- A police cruiser was purchased for \$22,811.
- Two pickup trucks were acquired at a total cost of \$67,638.

More detailed information about the Village's capital assets is presented in Note 5 of the notes to the basic financial statements.

*Long-term debt.*

At the end of the fiscal year, the Village had bonds payable outstanding in the amount of \$8,917,000, which represents a net increase of \$1,136,000 or 15 percent. These bonds are secured solely by specific revenue sources (i.e., revenue bonds).

More detailed information about the Village's long-term liabilities is presented in Note 8 of the notes to the basic financial statements.

**Economic condition and outlook**

The Village of Mattawan (2000 census population of 2,536) is primarily a residential community located in Van Buren County, Michigan. The village's proximity to the Kalamazoo Metropolitan Area and several major roadways, including Interstate 94, has helped spur recent commercial/industrial development. New commercial/industrial property and economic development activities are expected over the next few years that will be beneficial to the community as a whole.

The Village's Water Fund, an enterprise operation, has experienced increased costs to comply with the Environmental Protection Agency's regulations for arsenic levels in drinking water. The Village has begun to build an arsenic removal plant that is expected to cost approximately \$2.5 million. The project has been financed through the issuance of bonds through the federal government and a \$500,000 federal grant.

**Contacting the Village's financial management**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Village's finances and to demonstrate the Village's accountability for the resources it receives. Questions regarding any information provided in this report or requests for additional financial information should be addressed to the Village Hall at 24221 Front Avenue, Mattawan, Michigan 49071.



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## INDEPENDENT AUDITORS' REPORT

Village Council  
Village of Mattawan, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely-presented component units, each major fund, and the aggregate remaining fund information of the Village of Mattawan, Michigan, as of June 30, 2008, and for the year then ended, which collectively comprise the Village's financial statements, as listed in the contents. These financial statements are the responsibility of the Village of Mattawan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Mattawan, Michigan, as of June 30, 2008, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have issued our report dated December 19, 2008, on our consideration of the Village of Mattawan, Michigan's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information, as listed in the contents, are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Mattawan, Michigan's basic financial statements. The supplementary information, as listed in the contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the Village of Mattawan, Michigan. The combining nonmajor fund and internal service fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Ullrey & Company*

December 19, 2008

## **BASIC FINANCIAL STATEMENTS**

Village of Mattawan  
**STATEMENT OF NET ASSETS**  
June 30, 2008

	<i>Primary government</i>		
	<i>Governmental activities</i>	<i>Business-type activities</i>	<i>Totals</i>
<b>ASSETS</b>			
Current assets:			
Cash	\$ 1,091,016	\$ 1,729,984	\$ 2,821,000
Restricted cash	-	1,110,617	1,110,617
Receivables	99,315	1,081,862	1,181,177
Internal balances	(109,858)	109,858	-
Total current assets	<u>1,080,473</u>	<u>4,032,321</u>	<u>5,112,794</u>
Noncurrent assets:			
Connection fees receivable	-	1,400,309	1,400,309
Capital assets not being depreciated - land			
Land	28,000	34,749	62,749
Construction in process	-	1,674,969	1,674,969
Capital assets, net of depreciation	<u>1,135,024</u>	<u>9,017,310</u>	<u>10,152,334</u>
Total noncurrent assets	<u>1,163,024</u>	<u>12,127,337</u>	<u>13,290,361</u>
Total assets	<u>2,243,497</u>	<u>16,159,658</u>	<u>18,403,155</u>
<b>LIABILITIES</b>			
Current liabilities:			
Payables	53,946	969,719	1,023,665
Bonds payable	<u>7,000</u>	<u>151,000</u>	<u>158,000</u>
Total current liabilities	60,946	1,120,719	1,181,665
Noncurrent liabilities - bonds payable	<u>708,000</u>	<u>8,051,000</u>	<u>8,759,000</u>
Total liabilities	<u>768,946</u>	<u>9,171,719</u>	<u>9,940,665</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	448,024	2,525,028	2,973,052
Restricted for:			
Public safety	5,484	-	5,484
Public works	609,379	-	609,379
Debt service	-	2,565,926	2,565,926
Unrestricted	<u>411,664</u>	<u>1,896,985</u>	<u>2,308,649</u>
Total net assets	<u>\$ 1,474,551</u>	<u>\$ 6,987,939</u>	<u>\$ 8,462,490</u>

<u>Component units</u>	
<u>Downtown Development Authority</u>	<u>Local Development Finance Authority</u>
\$ 141,700	\$ 401,592
-	-
-	-
-	-
<u>141,700</u>	<u>401,592</u>
-	-
-	-
-	-
-	-
<u>-</u>	<u>-</u>
<u>141,700</u>	<u>401,592</u>
6,552	-
-	-
<u>6,552</u>	<u>-</u>
6,552	-
-	-
<u>6,552</u>	<u>-</u>
-	-
-	-
-	-
<u>135,148</u>	<u>401,592</u>
<u>\$ 135,148</u>	<u>\$ 401,592</u>

See notes to the financial statements

Village of Mattawan  
**STATEMENT OF ACTIVITIES**  
Year ended June 30, 2008

Functions/Programs	<u>Expenses</u>	<u>Program revenues</u>		
		<u>Charges for services</u>	<u>Operating grants and contributions</u>	<u>Capital grants and contributions</u>
Primary government:				
Governmental activities:				
Legislative	\$ 7,930	\$ -	\$ -	\$ -
General government	132,242	-	-	-
Public safety	368,517	23,995	47,596	-
Public works	242,289	-	264,997	-
Community and economic development	23,723	6,102	-	-
Recreation and culture	41,383	-	-	-
Interest on long-term debt	34,129	-	-	-
Total governmental activities	<u>850,213</u>	<u>30,097</u>	<u>312,593</u>	<u>-</u>
Business-type activities:				
Sewer	941,935	835,219	-	59,530
Water	339,074	782,398	-	431,016
Total business-type activities	<u>1,281,009</u>	<u>1,617,617</u>	<u>-</u>	<u>490,546</u>
Total primary government	<u>\$ 2,131,222</u>	<u>\$ 1,647,714</u>	<u>\$ 312,593</u>	<u>\$ 490,546</u>
Component units:				
Downtown Development Authority	\$ 330	\$ -	\$ -	\$ -
Local Development Finance Authority	50,000	-	-	-
Total component units	<u>\$ 50,330</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

General revenues:  
  Property taxes  
  State shared revenue  
  Unrestricted Interest income  
  Miscellaneous

Total general revenues

Change in net assets

Net assets - beginning

Net assets - ending



<i>Net (expenses) revenues and changes in net assets</i>				
<i>Primary government</i>			<i>Component Units</i>	
<i>Governmental activities</i>	<i>Business-type activities</i>	<i>Totals</i>	<i>Downtown Development Authority</i>	<i>Local Development Finance Authority</i>
\$ (7,930)		\$ (7,930)		
(132,242)		(132,242)		
(296,926)		(296,926)		
22,708		22,708		
(17,621)		(17,621)		
(41,383)		(41,383)		
(34,129)		(34,129)		
(507,523)		(507,523)		
	\$ (47,186)	(47,186)		
	874,340	874,340		
	827,154	827,154		
(507,523)	827,154	319,631		
			\$ (330)	\$ -
			-	(50,000)
			(330)	(50,000)
398,708	-	398,708	102,308	272,864
189,631	-	189,631	-	-
31,072	88,201	119,273	1,855	6,126
16,930	-	16,930	-	-
636,341	88,201	724,542	104,163	278,990
128,818	915,355	1,044,173	103,833	228,990
1,345,733	6,072,584	7,418,317	31,315	172,602
\$ 1,474,551	\$ 6,987,939	\$ 8,462,490	\$ 135,148	\$ 401,592

See notes to the financial statements

Village of Mattawan  
**BALANCE SHEET - governmental funds**  
June 30, 2008

	<u>Major funds</u>		<u>Nonmajor</u>	<u>Total</u>
	<u>General</u>	<u>Major Street</u>	<u>governmental funds</u>	<u>governmental funds</u>
<b>ASSETS</b>				
Cash	\$ 432,712	\$ 292,750	\$ 290,075	\$ 1,015,537
Due from other funds	3,996	-	-	3,996
Receivables	66,158	24,930	8,227	99,315
Total assets	<u>\$ 502,866</u>	<u>\$ 317,680</u>	<u>\$ 298,302</u>	<u>\$ 1,118,848</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Payables	\$ 37,866	\$ 1,059	\$ 60	38,985
Due to other funds	42,249	-	-	42,249
Total liabilities	<u>80,115</u>	<u>1,059</u>	<u>60</u>	<u>81,234</u>
Fund balances:				
Unreserved	422,751	316,621	-	739,372
Unreserved, reported in nonmajor - special revenue funds	-	-	298,242	298,242
Total fund balances	<u>422,751</u>	<u>316,621</u>	<u>298,242</u>	<u>1,037,614</u>
Total liabilities and fund balances	<u>\$ 502,866</u>	<u>\$ 317,680</u>	<u>\$ 298,302</u>	<u>\$ 1,118,848</u>
Total fund balances - total governmental funds				\$ 1,037,614
Amounts reported for <i>governmental activities</i> in the statement of net assets (page 5) are different because:				
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.				325,897
Internal service funds are used by management to charge costs of fleet management to individual funds. Certain assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.				<u>111,040</u>
Net assets of <i>governmental activities</i>				<u>\$ 1,474,551</u>

See notes to the financial statements

**STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - governmental funds**

Year ended June 30, 2008

	<u>Major funds</u>		<u>Nonmajor</u>	<u>Total</u>
	<u>General</u>	<u>Major Street</u>	<u>governmental funds</u>	<u>governmental funds</u>
<b>REVENUES</b>				
Property taxes	\$ 398,708	\$ -	\$ -	\$ 398,708
Licenses and permits	16,163	-	-	16,163
State grants	191,420	156,322	61,050	408,792
Intergovernmental	57,528	-	48,904	106,432
Charges for services	6,102	-	-	6,102
Fines and forfeitures	7,832	-	-	7,832
Interest	15,110	7,596	6,649	29,355
Other	15,695	1,235	-	16,930
Total revenues	<u>708,558</u>	<u>165,153</u>	<u>116,603</u>	<u>990,314</u>
<b>EXPENDITURES</b>				
Legislative	7,930	-	-	7,930
General government	128,751	-	-	128,751
Public safety	371,372	-	1,141	372,513
Public works	47,377	136,580	68,353	252,310
Community and economic development	23,723	-	-	23,723
Culture and recreation	39,459	-	-	39,459
Capital outlay	32,971	-	-	32,971
Total expenditures	<u>651,583</u>	<u>136,580</u>	<u>69,494</u>	<u>857,657</u>
<b>NET CHANGE IN FUND BALANCES</b>	56,975	28,573	47,109	132,657
<b>FUND BALANCES - BEGINNING</b>	<u>365,776</u>	<u>288,048</u>	<u>251,133</u>	<u>904,957</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 422,751</u>	<u>\$ 316,621</u>	<u>\$ 298,242</u>	<u>\$ 1,037,614</u>

Net change in fund balances - total governmental funds \$ 132,657

Amounts reported for *governmental activities* in the statement of activities (page 6) are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense.

Add assets acquired	27,316
Less provision for depreciation	(20,702)

Decrease in deferred revenue	(13,000)
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Certain net revenues of the internal service funds are reported with governmental activities.	2,547
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Change in net assets of <i>governmental activities</i>	<u>\$ 128,818</u>
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See notes to the financial statements

Village of Mattawan  
STATEMENT OF NET ASSETS - *proprietary funds*  
June 30, 2008

	<i>Business-type activities - enterprise funds</i>			<i>Governmental activities</i>
	<i>Sewer</i>	<i>Water</i>	<i>Totals</i>	<i>Internal Service</i>
<b>ASSETS</b>				
Current assets:				
Cash	\$ 1,037,647	\$ 692,337	\$ 1,729,984	\$ 75,479
Receivables:				
Accounts	173,815	853,047	1,026,862	-
Connection fees	55,000	-	55,000	-
Due from other funds	25,045	35,317	60,362	5,034
Total current assets	<u>1,291,507</u>	<u>1,580,701</u>	<u>2,872,208</u>	<u>80,513</u>
Noncurrent assets:				
Restricted cash	989,415	121,202	1,110,617	-
Connection fees receivable	1,400,309	-	1,400,309	-
Capital assets not being depreciated:				
Land	-	34,749	34,749	-
Construction in process	-	1,674,969	1,674,969	-
Capital assets, net of depreciation	<u>7,221,394</u>	<u>1,795,916</u>	<u>9,017,310</u>	<u>837,127</u>
Total noncurrent assets	<u>9,611,118</u>	<u>3,626,836</u>	<u>13,237,954</u>	<u>837,127</u>
Total assets	<u>10,902,625</u>	<u>5,207,537</u>	<u>16,110,162</u>	<u>917,640</u>
<b>LIABILITIES</b>				
Current liabilities:				
Payables	172,346	797,373	969,719	14,961
Due to other funds	6,939	2,090	9,029	18,114
Bonds payable	<u>94,000</u>	<u>57,000</u>	<u>151,000</u>	<u>7,000</u>
Total current liabilities	<u>273,285</u>	<u>856,463</u>	<u>1,129,748</u>	<u>40,075</u>
Noncurrent liabilities - bonds payable	<u>6,301,000</u>	<u>1,750,000</u>	<u>8,051,000</u>	<u>708,000</u>
Total liabilities	<u>6,574,285</u>	<u>2,606,463</u>	<u>9,180,748</u>	<u>748,075</u>
<b>NET ASSETS</b>				
Invested in capital assets, net				
of related debt	826,394	1,698,634	2,525,028	122,127
Restricted for debt service	2,444,724	121,202	2,565,926	-
Unrestricted	<u>1,057,222</u>	<u>781,238</u>	<u>1,838,460</u>	<u>47,438</u>
Total net assets	<u>\$ 4,328,340</u>	<u>\$ 2,601,074</u>	<u>\$ 6,929,414</u>	<u>\$ 169,565</u>
Adjustment to reflect the consolidation of certain internal service fund assets and liabilities related to business-type activities.			<u>58,525</u>	
Net assets of <i>business-type activities</i> (page 5)			<u>\$ 6,987,939</u>	

See notes to the financial statements

Village of Mattawan

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND

NET ASSETS - *proprietary funds*

Year ended June 30, 2008

	<i>Business-type activities - enterprise funds</i>			<i>Governmental activities</i>
	<i>Sewer</i>	<i>Water</i>	<i>Totals</i>	<i>Internal Service</i>
<b>OPERATING REVENUES</b>				
Charges for services	\$ 835,219	\$ 782,271	\$ 1,617,490	\$ 165,345
Other	-	127	127	-
Total operating revenues	835,219	782,398	1,617,617	165,345
<b>OPERATING EXPENSES</b>				
Public works	393,980	237,045	631,025	-
Depreciation	247,566	78,886	326,452	47,895
Cost of interfund services provided	-	-	-	68,419
Total operating expenses	641,546	315,931	957,477	116,314
<b>OPERATING INCOME</b>	193,673	466,467	660,140	49,031
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Interest income:				
Connection fees	59,530	-	59,530	-
Investment	66,269	21,932	88,201	1,717
Capital contributions	-	100,000	100,000	-
Federal grant	-	331,016	331,016	-
Interest expense	(303,762)	(33,842)	(337,604)	(34,129)
Total nonoperating revenues (expenses)	(177,963)	419,106	241,143	(32,412)
<b>CHANGE IN NET ASSETS</b>	15,710	885,573	901,283	16,619
<b>NET ASSETS - BEGINNING</b>	4,312,630	1,715,501	6,028,131	152,946
<b>NET ASSETS - ENDING</b>	\$ 4,328,340	\$ 2,601,074	\$ 6,929,414	\$ 169,565
Change in net assets - above			\$ 901,283	
Adjustment to reflect the consolidation of certain internal service fund net revenues related to business-type activities.			14,072	
Change in net assets of <i>business-type activities</i> (page 6)			\$ 915,355	

See notes to the financial statements

Village of Mattawan  
**STATEMENT OF CASH FLOWS - proprietary funds**  
Year ended June 30, 2008

	<i>Business-type activities - enterprise funds</i>			<i>Governmental activities</i>
	<i>Sewer</i>	<i>Water</i>	<i>Totals</i>	<i>Internal Service</i>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers	\$ 831,261	\$ (12,380)	\$ 818,881	\$ 168,639
Payments to suppliers	(367,089)	580,778	213,689	(61,339)
Payments to employees	(21,650)	(59,277)	(80,927)	(5,646)
Net cash provided by operating activities	<u>442,522</u>	<u>509,121</u>	<u>951,643</u>	<u>101,654</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Collection of connection fee principal	54,498	-	54,498	-
Collection of connection fee interest	64,594	-	64,594	-
Capital contributions	-	381,016	381,016	-
Acquisition of capital assets	(12,810)	(1,786,719)	(1,799,529)	(90,449)
Proceeds from issuance of debt	-	1,287,000	1,287,000	-
Principal payments on capital debt	(90,000)	(54,000)	(144,000)	(7,000)
Interest payments on capital debt	(305,900)	(33,942)	(339,842)	(34,129)
Net cash used in capital and related financing activities	<u>(289,618)</u>	<u>(206,645)</u>	<u>(496,263)</u>	<u>(131,578)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest received	<u>54,269</u>	<u>18,932</u>	<u>73,201</u>	<u>1,717</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	<u>207,173</u>	<u>321,408</u>	<u>528,581</u>	<u>(28,207)</u>
<b>CASH - BEGINNING</b> (including \$1,100,470 in restricted accounts)	<u>1,819,889</u>	<u>492,131</u>	<u>2,312,020</u>	<u>103,686</u>
<b>CASH - ENDING</b> (including \$1,110,617 in restricted accounts)	<u>\$ 2,027,062</u>	<u>\$ 813,539</u>	<u>\$ 2,840,601</u>	<u>\$ 75,479</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>				
Operating income	\$ 193,673	\$ 466,467	\$ 660,140	\$ 49,031
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation expense	247,566	78,886	326,452	47,895
Changes in assets and liabilities:				
Receivables	(3,958)	(768,643)	(772,601)	-
Due from other funds	-	(26,135)	(26,135)	3,294
Payables	5,960	761,121	767,081	1,434
Due to other funds	(719)	(2,575)	(3,294)	-
Net cash provided by operating activities	<u>\$ 442,522</u>	<u>\$ 509,121</u>	<u>\$ 951,643</u>	<u>\$ 101,654</u>

See notes to the financial statements

**Village of Mattawan**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The accounting policies of the Village of Mattawan, Michigan (the Village), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governmental units. The following is a summary of the significant accounting policies.

*a) Reporting entity:*

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, these financial statements present the Village. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included.

*Discretely-presented component units:*

*Local Development Finance Authority and Downtown Development Authority*

Each component units' governing body is appointed by the Village Council. Separate financial statements for the component units have not been issued as management believes that these financial statements, including disclosures, contain complete information so as to constitute a fair presentation of each component unit.

*b) Government-wide and fund financial statements:*

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Village. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by property taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

*c) Measurement focus, basis of accounting, and financial statement presentation:*

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

**Village of Mattawan**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

*c) Measurement focus, basis of accounting, and financial statement presentation (continued):*

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Village generally considers revenues to be available if they are expected to be collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when cash is received by the Village.

The Village reports the following major governmental funds:

The General Fund is the Village's primary operating fund. It accounts for all financial resources of the Village, except those required to be accounted for in another fund. Revenues are primarily derived from property taxes and state shared revenue.

The Major Street Fund accounts for the resources of state gas and weight tax revenues that are restricted for expenditures related to maintaining and improving the Village's major streets.

The Village reports the following major enterprise funds:

The Sewer Fund accounts for the activities of the Village's sewage collection systems.

The Water Fund accounts for the activities of the Village's water distribution system.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private sector guidance for their business-type activities and enterprise funds, subject to the same limitations. The Village has elected not to follow subsequent private-sector standards.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.



Village of Mattawan  
NOTES TO FINANCIAL STATEMENTS (Continued)

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

*c) Measurement focus, basis of accounting, and financial statement presentation (continued):*

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds relate to charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Village's policy to use restricted resources first, then unrestricted resources as they are needed.

*d) Assets, liabilities, and net assets or equity:*

*i) Bank deposits* - Cash is considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less from the date of acquisition.

*ii) Receivables* - In general, outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." No allowance for uncollectible accounts has been recorded as the Village considers all receivables to be fully collectible.

*iii) Prepaid items* - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in the government-wide financial statements.

*iv) Capital assets* - Capital assets, which include property, equipment, and infrastructure assets (e.g., streets and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The Village has elected to use the prospective method of accounting for infrastructure assets whereby it will capitalize its infrastructure assets as acquired on or after July 1, 2003, as permitted by GASB No. 34.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	10 - 50 years
Equipment	3 - 20 years
Sewer and water systems	50 years

*v) Compensated absences* (vacation and sick leave) - It is the Village's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. A liability for unpaid accumulated vacation and sick leave has been recorded for the portion due to employees upon separation from service with the Village. Vested compensated absences are accrued when earned in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end.

**Village of Mattawan**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

*d) Assets, liabilities, and net assets or equity (continued):*

*vi) Fund equity* - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

*vii) Property tax revenue recognition* - Property taxes are levied as of July 1 on property values assessed as of December 31 of the prior year. The billings are due on or before August 15, after which time the bill becomes delinquent and penalties and interest may be assessed by the Village. Property tax revenue is recognized in the year for which taxes have been levied and become available. The Village levy date is July 1, and, accordingly, the total levy is recognized as revenue in the current year.

**NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:**

*Budgetary information* - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. The budget document presents information by fund, function, department, and line-item. The legal level of budgetary control adopted by the Village Council is the functional level. All annual appropriations lapse at the end of the fiscal year.

*Excess of expenditures over appropriations in budgeted funds* - The following schedule sets forth significant budget variances:

<u>Fund</u>	<u>Function</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General	Community and economic development	\$ 18,477	\$ 23,723	\$ 5,246
General	Recreation and culture	37,290	39,459	2,169
Major Street	Public works	130,400	136,580	6,180

**NOTE 3 - CASH:**

At June 30, 2008, cash is classified in the accompanying statement of net assets as follows:

Cash:	
Governmental activities	\$ 1,091,016
Business-type activities	1,729,984
Restricted cash -	
business-type activities	1,110,617
Component units	<u>543,292</u>
Total cash	<u>\$ 4,474,909</u>

**Village of Mattawan**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**NOTE 3 - CASH (Continued):**

At June 30, 2008, cash consists of the following:

Cash on hand	\$ 300
Deposits with financial institutions	<u>4,474,609</u>
Total	<u>\$ 4,474,909</u>

*Deposits with financial institutions* - State statutes and the Village's investment policy authorize the Village to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations that have an office in Michigan. The Village's deposits are in accordance with statutory authority.

Custodial credit risk is the risk that, in the event of the failure of a financial institution, the Village will not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and are uncollateralized. As of June 30, 2008, \$4,401,982 of the Village's bank balances of \$4,601,982 was exposed to custodial credit risk because it was uninsured. The Village believes that it is impractical to insure all bank deposits due to the amounts of the deposits and the limits of FDIC insurance. As a result, the Village evaluates each financial institution with which it deposits funds and assesses the risk level of each institution. Only the institutions with an acceptable estimated risk level are used as depositories.

The Village maintains individual and pooled cash accounts for all of its funds and its component units. Due to use of pooled deposits, it is not practicable to allocate insured and uninsured portions of certain bank balances between the primary government and its component units.

**NOTE 4 - RECEIVABLES:**

Receivables as of year end for the Village's funds, are as follows:

<i>Fund</i>	<i>Accounts</i>	<i>Connection fees</i>	<i>Inter-governmental</i>	<i>Totals</i>
Governmental funds:				
General	\$ -	\$ -	\$ 66,158	\$ 66,158
Major Street	-	-	24,930	24,930
Nonmajor governmental	-	-	8,227	8,227
Totals	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 99,315</u>	<u>\$ 99,315</u>
Proprietary funds:				
Sewer	\$ 173,815	\$ 1,455,309	\$ -	\$ 1,629,124
Water	80,391	-	772,656	853,047
Totals	<u>\$ 254,206</u>	<u>\$ 1,455,309</u>	<u>\$ 772,656</u>	<u>\$ 2,482,171</u>
Noncurrent portion	<u>\$ -</u>	<u>\$ 1,400,309</u>	<u>\$ -</u>	<u>\$ 1,400,309</u>

**Village of Mattawan**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**NOTE 5 - CAPITAL ASSETS:**

Capital asset activity for the year ended June 30, 2008, was as follows:

	<i><u>Beginning balance</u></i>	<i><u>Increases</u></i>	<i><u>Decreases</u></i>	<i><u>Ending balance</u></i>
Governmental activities:				
Capital assets not being depreciated				
- land	<u>\$ 28,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,000</u>
Capital assets being depreciated:				
Buildings	896,180	-	-	896,180
Land improvements	69,959	-	-	69,959
Equipment	225,296	51,335	-	276,631
Vehicles	300,507	66,430	(37,937)	329,000
Streets	<u>125,343</u>	<u>-</u>	<u>-</u>	<u>125,343</u>
Subtotal	<u>1,617,285</u>	<u>117,765</u>	<u>(37,937)</u>	<u>1,697,113</u>
Less accumulated depreciation for:				
Buildings	(131,029)	(22,039)	-	(153,068)
Land improvements	(13,464)	(3,966)	-	(17,430)
Equipment	(101,100)	(20,686)	-	(121,786)
Vehicles	(263,901)	(15,639)	37,937	(241,603)
Streets	<u>(21,935)</u>	<u>(6,267)</u>	<u>-</u>	<u>(28,202)</u>
Subtotal	<u>(531,429)</u>	<u>(68,597)</u>	<u>37,937</u>	<u>(562,089)</u>
Total capital assets being depreciated, net	<u>1,085,856</u>	<u>49,168</u>	<u>-</u>	<u>1,135,024</u>
Governmental activities capital assets, net	<u>\$ 1,113,856</u>	<u>\$ 49,168</u>	<u>\$ -</u>	<u>\$ 1,163,024</u>

**Village of Mattawan**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**NOTE 5 - CAPITAL ASSETS (Continued):**

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Business-type activities:				
Capital assets not being depreciated				
Land	\$ 34,749	\$ -	\$ -	\$ 34,749
Construction in process	-	1,674,969	-	1,674,969
Subtotal	34,749	1,674,969	-	1,709,718
Capital assets being depreciated:				
Sewer system	9,437,133	12,810	-	9,449,943
Water system	2,826,764	111,750	-	2,938,514
Subtotal	12,263,897	124,560	-	12,388,457
Less accumulated depreciation for:				
Sewer system	(1,980,983)	(247,566)	-	(2,228,549)
Water system	(1,063,712)	(78,886)	-	(1,142,598)
Subtotal	(3,044,695)	(326,452)	-	(3,371,147)
Total capital assets being depreciated, net	9,219,202	(201,892)	-	9,017,310
Business-type activities capital assets, net	\$ 9,253,951	\$ 1,473,077	\$ -	\$ 10,727,028

Depreciation expense was charged to functions of the Village as follows:

Governmental activities:	
General government	\$ 4,494
Public safety	4,034
Public works	9,525
Recreation	2,649
Depreciation on capital assets of internal service funds	47,895
Total governmental activities	\$ 68,597
Business-type activities:	
Sewer	\$ 247,566
Water	78,886
Total business-type activities	\$ 326,452

**Village of Mattawan**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**NOTE 6 - NONCURRENT LIABILITIES:**

Noncurrent liabilities at June 30, 2008, are comprised of the following:

Governmental activities:

\$750,000 2002 Building Authority general obligation bonds - payable in annual installments ranging from \$6,000 to \$35,000, plus interest at 4.75%; final payment due December 2041 \$ 715,000

Business-type activities:

\$755,000 1977 Water Supply System revenue bonds - payable in annual installments ranging from \$25,000 to \$30,000, plus interest at 5.00%; final payment due January 2016 \$ 240,000

\$330,000 1996 Water Supply System Junior Lien revenue bonds - payable in annual installments ranging from \$3,000 to \$14,000, plus interest at 5.00%; final payment due July 2036 300,000

\$7,000,000 1998 Sanitary Sewer System revenue bonds - payable in annual installments ranging from \$73,000 to \$403,000, plus interest at 4.75%; final payment due July 2037 6,395,000

\$2,110,000 2007 Water Supply System Junior Lien revenue bonds, series C - payable in annual installments ranging from \$20,000 to \$113,000, plus interest at 4.375%; final payment due July 1, 2047 1,267,000

Total business-type activities noncurrent liabilities \$ 8,202,000

Noncurrent liability activity for the year ended June 30, 2008, was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Amounts due within one year</u>
Governmental activities:					
2002 general obligation bonds	<u>\$ 722,000</u>	<u>\$ -</u>	<u>\$ (7,000)</u>	<u>\$ 715,000</u>	<u>\$ 7,000</u>
Business-type activities:					
1977 Water revenue bonds	<u>\$ 270,000</u>	<u>\$ -</u>	<u>\$ (30,000)</u>	<u>\$ 240,000</u>	<u>\$ 30,000</u>
1996 Water revenue bonds	<u>304,000</u>	<u>-</u>	<u>(4,000)</u>	<u>300,000</u>	<u>6,000</u>
2007 Water revenue bonds	<u>-</u>	<u>1,287,000</u>	<u>(20,000)</u>	<u>1,267,000</u>	<u>21,000</u>
1998 Sewer revenue bonds	<u>6,485,000</u>	<u>-</u>	<u>(90,000)</u>	<u>6,395,000</u>	<u>94,000</u>
Total business-type activities noncurrent liabilities	<u>\$ 7,059,000</u>	<u>\$ 1,287,000</u>	<u>\$ (144,000)</u>	<u>\$ 8,202,000</u>	<u>\$ 151,000</u>

**Village of Mattawan**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 6 - NONCURRENT LIABILITIES (Continued):**

Debt service requirements at June 30, 2008, were as follows:

	<u>Governmental activities</u>		<u>Business-type activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
Year ended June 30:				
2009	\$ 7,000	\$ 33,796	\$ 151,000	\$ 383,252
2010	8,000	33,440	157,000	375,909
2011	9,000	33,036	163,000	368,325
2012	9,000	32,609	171,000	360,460
2013	9,000	32,181	178,000	352,228
2014 - 2018	54,000	153,663	949,000	1,627,735
2019 - 2023	75,000	138,486	1,089,000	1,393,960
2024 - 2028	100,000	117,990	1,384,000	1,105,473
2029 - 2033	136,000	89,870	1,756,000	739,662
2034 - 2038	168,000	53,675	2,200,000	272,602
2039 - 2042	<u>140,000</u>	<u>13,300</u>	<u>4,000</u>	<u>175</u>
	<u>\$715,000</u>	<u>\$732,046</u>	<u>\$8,202,000</u>	<u>\$6,979,781</u>

**NOTE 7 - RESTRICTED CASH:**

As a condition of individual debt issues, the Village is required to maintain certain separate cash reserves. At June 30, 2008, all required reserves have been properly funded and are as follows:

**Business-type activities:**

**Sewer Fund:**

1998 Sewer Supply System revenue bonds:

Principal and interest redemption accounts	\$ 522,694
Bond reserve account	422,000
Repair and reconstruction account	<u>44,721</u>
	<u>989,415</u>

**Water Fund:**

1977 Water Supply System revenue bonds:

Principal and interest redemption account	12,997
Bond reserve account	52,268

1996 Water Supply System Junior Lien revenue bonds:

Principal and interest redemption account	31,899
Bond reserve account	<u>24,038</u>
	<u>121,202</u>
	<u>\$1,110,617</u>

**Village of Mattawan**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**NOTE 8 - INTERFUND RECEIVABLES AND PAYABLES:**

At June 30, 2008, the composition of interfund balances, as reported in the fund financial statements, is as follows:

<u>Fund</u>	<u>Receivables</u>	<u>Fund</u>	<u>Payables</u>
General	\$ 3,996	Sewer Water	\$ 1,906 <u>2,090</u>
			<u>3,996</u>
Sewer	25,045	DPW Building and Equipment General	17,943 <u>7,102</u>
			<u>25,045</u>
Water	35,317	General DPW Building and Equipment	35,147 <u>170</u>
			<u>35,317</u>
DPW Building and Equipment	<u>5,034</u>	Sewer	<u>5,034</u>
Totals	<u>\$ 69,392</u>	Totals	<u>\$ 69,392</u>

In 2002, the Sewer Fund, an enterprise fund, advanced \$86,810 to the DPW Building and Equipment Fund, an internal service fund, to finance the acquisition of a dump truck. The advance will be repaid in annual installments of \$18,303 that include interest at 2%, through 2008. The other interfund balances are the result of temporary cash flow assistance.

**NOTE 9 - RISK MANAGEMENT:**

The Village is exposed to various risks of loss to general liability, property and casualty, workers' compensation, and employee health and medical claims. The risks of loss arising from general liability up to \$2,000,000, building contents, workers' compensation, employee medical, and casualty are managed through purchased commercial insurance. For all risks of loss, there have been no significant reductions in insurance coverage from coverage provided in prior years. Also, in the past three years, settlements did not exceed insurance coverage.

**NOTE 10 - CONSTRUCTION CODE ACT:**

A summary of construction code act transactions for the year ended June 30, 2008, is as follows:

Revenues	\$ 3,681
Expenses	<u>(2,563)</u>
Excess of revenues over expenses	<u>\$ 1,118</u>



**Village of Mattawan**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 11 - DEFINED CONTRIBUTION PENSION PLAN:**

On October 1, 1996, the Village adopted a defined contribution pension plan, specifically referred to as the Village of Mattawan Employee Retirement Plan (the Plan). In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. Full-time employees are eligible to participate after satisfactorily completing the required probationary period of 90 days of employment. The Village contributes 3% of each qualified employee's earnings to the Plan. Qualified employees are required to contribute 3% of their earnings as a condition of participation in the Plan.

The Village's contributions for each employee (and interest allocated to the employee's account) are fully vested after five years of continuous service. Village contributions for, and interest forfeited by, employees who leave employment before five years of service are used to reduce the Village's current period contribution requirements. The Village is not a trustee of the Plan, nor is the Village responsible for investment management of plan assets. Michigan State statute assigns the authority to establish and amend benefit provisions to the Village Council.

The Village and the Plan participants each made their required contributions in the amount of \$10,373 for the year ended June 30, 2008.

**NOTE 12 - CONSTRUCTION COMMITMENT:**

At June 30, 2008, the Village had authorized a contract totaling \$2,138,159 for water treatment plant improvements. The improvements are being funded by revenue bonds issued in 2007, in the amount of \$2,110,000, and a federal grant. Costs associated with the contract that were incurred through June 30, 2008, amounted to \$1,514,946, leaving a commitment of \$623,213.

**NOTE 13 - PRIOR PERIOD ADJUSTMENTS:**

Prior period adjustments have been recorded in 2008 that resulted in net asset restatements. Net assets as of July 1, 2007, included in the accompanying financial statements, represents restated balances as presented below. The following schedule identifies the nature and amount of the adjustments recorded.

	<i>Net Assets</i>	
	<i>Governmental Activities</i>	<i>Business-type Activities</i>
Beginning of year, as previously reported	\$ 1,390,186	\$ 6,028,131
Prior period adjustments:		
Understatement of internal balances	(44,453)	44,453
Beginning of year, as restated	<u>\$ 1,345,733</u>	<u>\$ 6,072,584</u>

## REQUIRED SUPPLEMENTARY INFORMATION

*Village of Mattawan*  
**BUDGETARY COMPARISON SCHEDULE - General Fund**  
*Year ended June 30, 2008*

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>REVENUES</b>				
Property taxes	\$ 427,800	\$ 427,800	\$ 398,708	\$ (29,092)
Licenses and permits	8,500	8,500	16,163	7,663
State grants	191,700	191,700	191,420	(280)
Intergovernmental	45,666	45,666	57,528	11,862
Charges for services	6,300	6,300	6,102	(198)
Fines and forfeitures	9,000	9,000	7,832	(1,168)
Interest	15,000	15,000	15,110	110
Other	<u>23,500</u>	<u>23,500</u>	<u>15,695</u>	<u>(7,805)</u>
Total revenues	<u>727,466</u>	<u>727,466</u>	<u>708,558</u>	<u>(18,908)</u>
<b>EXPENDITURES</b>				
Legislative - Village Council	<u>9,320</u>	<u>9,320</u>	<u>7,930</u>	<u>1,390</u>
General government:				
Administration	61,850	61,850	60,848	1,002
Clerk	41,560	41,560	36,032	5,528
Village Hall	<u>33,021</u>	<u>33,021</u>	<u>31,871</u>	<u>1,150</u>
Total general government	<u>136,431</u>	<u>136,431</u>	<u>128,751</u>	<u>7,680</u>
Public safety:				
Police department	409,771	410,421	368,809	41,612
Inspections	<u>2,500</u>	<u>2,500</u>	<u>2,563</u>	<u>(63)</u>
Total public safety	<u>412,271</u>	<u>412,921</u>	<u>371,372</u>	<u>41,549</u>
Public works:				
Public works department	47,284	47,284	30,855	16,429
Street lighting	<u>15,000</u>	<u>15,000</u>	<u>16,522</u>	<u>(1,522)</u>
Total public works	<u>62,284</u>	<u>62,284</u>	<u>47,377</u>	<u>14,907</u>
Community and economic development - planning	<u>18,477</u>	<u>18,477</u>	<u>23,723</u>	<u>(5,246)</u>

*Village of Mattawan*

**BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)**

*Year ended June 30, 2008*

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	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>EXPENDITURES (Continued)</b>				
Recreation and culture	<u>\$ 37,290</u>	<u>\$ 37,290</u>	<u>\$ 39,459</u>	<u>\$ (2,169)</u>
Capital outlay	<u>40,800</u>	<u>40,800</u>	<u>32,971</u>	<u>7,829</u>
Total expenditures	<u>716,873</u>	<u>717,523</u>	<u>651,583</u>	<u>65,940</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	10,593	9,943	56,975	47,032
<b>OTHER FINANCING USES</b>				
Transfer out - Local Street Fund	<u>(3,423)</u>	<u>(3,423)</u>	<u>-</u>	<u>3,423</u>
<b>NET CHANGE IN FUND BALANCES</b>	7,170	6,520	56,975	50,455
<b>FUND BALANCES - BEGINNING</b>	<u>365,776</u>	<u>365,776</u>	<u>365,776</u>	<u>-</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 372,946</u>	<u>\$ 372,296</u>	<u>\$ 422,751</u>	<u>\$ 50,455</u>

Village of Mattawan  
BUDGETARY COMPARISON SCHEDULE - Major Street Fund  
Year ended June 30, 2008

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>REVENUES</b>				
State grants	\$ 156,000	\$ 156,000	\$ 156,322	\$ 322
Interest	1,400	1,400	7,596	6,196
Other	12,000	12,000	1,235	(10,765)
Total revenues	<u>169,400</u>	<u>169,400</u>	<u>165,153</u>	<u>(4,247)</u>
<b>EXPENDITURES</b>				
Public works:				
Preservation	89,425	89,425	81,007	8,418
Winter maintenance	26,990	26,990	45,924	(18,934)
Traffic service	1,836	1,836	1,169	667
Administration	12,149	12,149	8,480	3,669
Total expenditures	<u>130,400</u>	<u>130,400</u>	<u>136,580</u>	<u>(6,180)</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	39,000	39,000	28,573	(10,427)
<b>OTHER FINANCING USES</b>				
Transfer out - Local Street Fund	<u>(39,000)</u>	<u>(39,000)</u>	<u>-</u>	<u>39,000</u>
<b>NET CHANGE IN FUND BALANCES</b>	78,000	78,000	28,573	(49,427)
<b>FUND BALANCES - BEGINNING</b>	<u>288,048</u>	<u>288,048</u>	<u>288,048</u>	<u>-</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 366,048</u>	<u>\$ 366,048</u>	<u>\$ 316,621</u>	<u>\$ (49,427)</u>

## **SUPPLEMENTARY INFORMATION**

**COMBINING BALANCE SHEET - nonmajor governmental funds**

June 30, 2008

	<u>Special revenue funds</u>				<u>Total nonmajor governmental funds</u>
	<u>Local Street</u>	<u>Drug Forfeitures</u>	<u>Justice Training</u>	<u>Metro Act</u>	
<b>ASSETS</b>					
Cash	\$ 251,863	\$ 4,043	\$ 1,441	\$ 32,728	\$ 290,075
Receivables	<u>8,227</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,227</u>
Total assets	<u>\$ 260,090</u>	<u>\$ 4,043</u>	<u>\$ 1,441</u>	<u>\$ 32,728</u>	<u>\$ 298,302</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities - payables	\$ 60	\$ -	\$ -	\$ -	\$ 60
Fund balances - unreserved	<u>260,030</u>	<u>4,043</u>	<u>1,441</u>	<u>32,728</u>	<u>298,242</u>
Total liabilities and fund balances	<u>\$ 260,090</u>	<u>\$ 4,043</u>	<u>\$ 1,441</u>	<u>\$ 32,728</u>	<u>\$ 298,302</u>

*Village of Mattawan*

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - *nonmajor governmental funds***

*Year ended June 30, 2008*

	<i>Special revenue funds</i>				<i>Total nonmajor governmental funds</i>
	<i>Local Street</i>	<i>Drug Forfeitures</i>	<i>Justice Training</i>	<i>Metro Act</i>	
<b>REVENUES</b>					
State grants	\$ 50,206	\$ -	\$ 1,278	\$ 9,566	\$ 61,050
Contribution from local unit	48,904	-	-	-	48,904
Interest	5,963	24	-	662	6,649
Total revenues	105,073	24	1,278	10,228	116,603
<b>EXPENDITURES</b>					
Public safety	-	-	1,141	-	1,141
Public works	68,353	-	-	-	68,353
Total expenditures	68,353	-	1,141	-	69,494
<b>NET CHANGE IN FUND BALANCES</b>	36,720	24	137	10,228	47,109
<b>FUND BALANCES - BEGINNING</b>	223,310	4,019	1,304	22,500	251,133
<b>FUND BALANCES - ENDING</b>	<u>\$ 260,030</u>	<u>\$ 4,043</u>	<u>\$ 1,441</u>	<u>\$ 32,728</u>	<u>\$ 298,242</u>



**COMBINING STATEMENT OF NET ASSETS - internal service funds**

June 30, 2008

	<i><u>DPW Building and Equipment</u></i>	<i><u>Police Motor Pool</u></i>	<i><u>Totals</u></i>
<b>ASSETS</b>			
Current assets:			
Cash	\$ 35,590	\$ 39,889	\$ 75,479
Due from other funds	<u>5,034</u>	<u>-</u>	<u>5,034</u>
Total current assets	40,624	39,889	80,513
Noncurrent assets - capital assets, net of depreciation	<u>794,832</u>	<u>42,295</u>	<u>837,127</u>
Total assets	<u>835,456</u>	<u>82,184</u>	<u>917,640</u>
<b>LIABILITIES</b>			
Current liabilities:			
Payables	13,897	1,064	14,961
Due to other funds	18,114	-	18,114
Bonds payable	<u>7,000</u>	<u>-</u>	<u>7,000</u>
Total current liabilities	39,011	1,064	40,075
Noncurrent liabilities - bonds payable	<u>708,000</u>	<u>-</u>	<u>708,000</u>
Total liabilities	<u>747,011</u>	<u>1,064</u>	<u>748,075</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	79,832	42,295	122,127
Unrestricted	<u>8,613</u>	<u>38,825</u>	<u>47,438</u>
Total net assets	<u>\$ 88,445</u>	<u>\$ 81,120</u>	<u>\$ 169,565</u>

Village of Mattawan

**COMBINING STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN FUND NET ASSETS - *internal service funds***

Year ended June 30, 2008

	<u>DPW Building and Equipment</u>	<u>Police Motor Pool</u>	<u>Totals</u>
<b>OPERATING REVENUES</b>			
Charges for services:			
Equipment rental	\$ 79,614	\$ 33,452	\$ 113,066
Building rental	<u>52,279</u>	<u>-</u>	<u>52,279</u>
Total operating revenues	<u>131,893</u>	<u>33,452</u>	<u>165,345</u>
<b>OPERATING EXPENSES</b>			
Repairs and maintenance:			
Equipment	41,248	15,895	57,143
DPW Building	11,276	-	11,276
Depreciation	<u>43,123</u>	<u>4,772</u>	<u>47,895</u>
Total operating expenses	<u>95,647</u>	<u>20,667</u>	<u>116,314</u>
<b>OPERATING INCOME</b>	<u>36,246</u>	<u>12,785</u>	<u>49,031</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Interest income	724	993	1,717
Interest expense	<u>(34,129)</u>	<u>-</u>	<u>(34,129)</u>
Total nonoperating revenues (expenses)	<u>(33,405)</u>	<u>993</u>	<u>(32,412)</u>
<b>CHANGE IN NET ASSETS</b>	2,841	13,778	16,619
<b>NET ASSETS - BEGINNING</b>	<u>85,604</u>	<u>67,342</u>	<u>152,946</u>
<b>NET ASSETS - ENDING</b>	<u>\$ 88,445</u>	<u>\$ 81,120</u>	<u>\$ 169,565</u>

**COMBINING STATEMENT OF CASH FLOWS - *internal service funds***

Year ended June 30, 2008

	<u>DPW Building and Equipment</u>	<u>Police Motor Pool</u>	<u>Totals</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from interfund services provided	\$ 135,187	\$ 33,452	\$ 168,639
Payments to suppliers	(45,614)	(15,725)	(61,339)
Payments to employees	<u>(5,646)</u>	<u>-</u>	<u>(5,646)</u>
Net cash provided by operating activities	<u>83,927</u>	<u>17,727</u>	<u>101,654</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition of capital assets	(67,638)	(22,811)	(90,449)
Principal payments on capital debt	(7,000)	-	(7,000)
Interest payments on capital debt	<u>(34,129)</u>	<u>-</u>	<u>(34,129)</u>
Net cash used in capital and related financing activities	<u>(108,767)</u>	<u>(22,811)</u>	<u>(131,578)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received	<u>724</u>	<u>993</u>	<u>1,717</u>
<b>NET DECREASE IN CASH</b>	<u>(24,116)</u>	<u>(4,091)</u>	<u>(28,207)</u>
<b>CASH - BEGINNING</b>	<u>59,706</u>	<u>43,980</u>	<u>103,686</u>
<b>CASH - ENDING</b>	<u>\$ 35,590</u>	<u>\$ 39,889</u>	<u>\$ 75,479</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>			
Operating income	\$ 36,246	\$ 12,785	\$ 49,031
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	43,123	4,772	47,895
Changes in assets and liabilities:			
Decrease in due from other funds	3,294	-	3,294
Increase in payables	<u>1,264</u>	<u>170</u>	<u>1,434</u>
Net cash provided by operating activities	<u>\$ 83,927</u>	<u>\$ 17,727</u>	<u>\$ 101,654</u>

## FEDERAL AWARDS

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

*Year ended June 30, 2008*

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<u>Federal grantor/pass-through grantor/program title</u>	<u>Federal CFDA number</u>	<u>Federal expenditures</u>
U.S. Department of Agriculture:		
Water and Waste Disposal Systems for Rural Communities	10.760	\$1,286,906
U.S. Department of Housing and Urban Development:		
Infrastructure Capacity Enhancement Program	14.228	331,016

- NOTES: 1) The schedule of expenditures of federal awards is prepared on the accrual basis of accounting.
- 2) Federal expenditures include a loan payable to the U.S. Department of Agriculture in the amount of \$1,287,000.

**A. SUMMARY OF AUDIT RESULTS**

1. The auditors' report expresses an unqualified opinion on the financial statements of the Village of Mattawan.
2. No significant deficiencies were identified during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of the Village of Mattawan were disclosed during the audit.
4. No significant deficiencies were identified during the audit of the major federal award program.
5. The auditors' report on compliance for the major federal award program for the Village of Mattawan expresses an unqualified opinion.
6. Audit findings relative to the major federal award program for the Village of Mattawan are reported in Part C of this schedule.
7. The program tested as a major program follows:

<u>Federal agency</u>	<u>Program name</u>	<u>CFDA #</u>
U.S. Department of Agriculture	Water and Waste Disposal Systems for Rural Communities	10.760

8. The threshold for distinguishing Types A and B programs was \$300,000.
9. The Village of Mattawan was determined to be a low-risk auditee.

**B. FINDINGS - FINANCIAL STATEMENTS AUDIT**

NONE

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM AUDIT**

NONE



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Valerie K. Watts, CPA

Jason M. Martin, CPA

Jessica M. Ullrey, CPA

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT  
AUDITING STANDARDS**

Village Council  
Village of Mattawan, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the discretely-presented component units, each major fund, and the aggregate remaining fund information of the Village of Mattawan, Michigan (the Village), as of and for the year ended June 30, 2008, and have issued our report thereon dated December 19, 2008. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Village of Mattawan's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village of Mattawan's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village of Mattawan's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village of Mattawan's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Village of Mattawan's financial statements that is more than inconsequential will not be prevented or detected by the Village of Mattawan's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Village of Mattawan's internal control.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT  
AUDITING STANDARDS (Continued)**

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Village of Mattawan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, federal awarding agencies, and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

*Wiley & Company*

December 19, 2008





Jack A. Ullrey, CPA

Valerie K. Watts, CPA

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Village Council  
Village of Mattawan

**Compliance**

We have audited the compliance of the Village of Mattawan, Michigan (the Village), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2008. The Village's major federal program is its Community Facilities Loan Program. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the Village's management. Our responsibility is to express an opinion on the Village's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Village's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Village's compliance with those requirements.

In our opinion, the Village complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2008.

**Internal control over compliance**

The management of the Village is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Village's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over compliance.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 (Continued)**

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, federal awarding agencies, and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

*Ullrey & Company*

December 19, 2008